

IMPACT STATEMENT FOR WIA PROGRAM FUNDING CUTS

The State of Hawaii is allotted \$7.18 million in Workforce Investment Act (WIA) formula funds for PY (Program Year) 2011. This is a decrease of 18 percent from PY 2010, in which Hawaii received \$8.74 million. The following table illustrates the three funding streams and the exact dollar implications.

To conduct its oversight functions and other mandated activities, the State DLIR normally can set aside up to 15% of the WIA formula funds. However the appropriation language significantly reduced the maximum set aside and gave a greater proportion to the four counties in Hawaii. Due to a drafting error in the appropriation language, it is unclear how much of a funding decrease will be applied to the State of Hawaii's State Workforce Agency (Department of Labor and Industrial Relations). **Table 1 articulates two (2) scenarios in which the State will either have a 73 or 40 percent reduction in funding.**

Table 1.

**Budget Impact of USDOL Training and Employment
Guidance Letter No. 26-10**

	PY 2010	PY 2011	PY 2011 Allotments		Scenario 1 5% base + advance	Scenario 2 5% base + 15% advance	PY 2010 Governor's Reserve
			Base	Advance			
			7/1/2011	10/1/2011			
Adult	\$2,786,714.00	\$2,375,218.00	\$181,539.00	\$2,193,679.00	\$118,760.00	\$338,127.00	\$418,007.00
Dislocated							
Worker	\$3,268,124.00	\$2,539,205.00	\$485,744.00	\$2,053,461.00	\$126,960.00	\$332,306.00	\$490,218.00
Youth	\$2,690,193.00	\$2,272,811.00		\$2,272,811.00	\$113,640.00	\$113,640.00	\$403,528.00
Total							
Allotment	\$8,745,031.00	\$7,187,234.00			\$359,360.00	\$784,073.00	\$1,311,753.00
					73%	40%	
					Decrease	Decrease	

Scenario 1 reflects restricting Governor's reserves to 5% for all funding streams.

Scenario 2 reflects restricting Governor's reserves to 5% for only Youth and Base portions of DW and Adult.

The funding restrictions that are being mandated are particularly detrimental to smaller states which receive lower allocations of formula funds. Unlike larger states, smaller states with smaller allocations do not have excess funding for projects outside of federally mandated basic administration and oversight of the formula grant. In other words, small states have the same basic administrative responsibilities as larger states but have less funding. For example, for the last several years the State has not had enough funding in the 15% reserve for effective incentive awards.

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For the last several years, Hawaii has faced budget issues regarding the 15 percent reserve and how to maintain minimum required activities. Three years ago, the State was in the process of requiring the local areas to fund a portion of the State Management Information system (MIS), as the state was unable to continue funding 100 percent of the WIA portion of the overall cost. Due to the passage of the American Recovery and Reinvestment Act (ARRA), this action was delayed due to the fortunate, yet brief, infusion of additional monies. However, for program year 2010, local areas will contribute to the costs of maintaining HireNet Hawaii system with a combination of ARRA and formula funds.

Table 2 is a breakdown of Hawaii's PY 2010 budget to fund statewide administration and program costs of the WIA formula funds.

Table 2. Statewide Activities Funded by the Governor's Reserve Funding		
State Workforce Agency (DLIR)	PY 2010 Budgeted Amt	FTE
Workforce Development Division and ASO	\$614,693.00	6.5
Workforce Development Council	\$342,198.00	3.0
Research and Statistics (Formula Allocation Data and State ETPL)	\$42,300.00	0.75
State Job Board/MIS System	\$369,372.00	Services
	\$1,368,563.00	

In Hawaii, the state workforce agency responsible for implementation of WIA funding and programs is the Department of Labor and Industrial Relations ("DLIR"). The DLIR has three divisions and one attached agency which carry out the statewide administration and program activities required under the WIA. The following is a breakdown of how the State Plan divides responsibilities among the differing agencies and divisions of the DLIR:

Workforce Development Council (Oversight and Coordinating entity of the State Plan and Performance Measures)

The Workforce Development Council (WDC) is an administratively attached agency to the DLIR, and is the State Workforce Investment Board. The WDC currently employs 3.0 FTE to carry out the requirements of the federally mandated activities of the State Workforce Investment Board. Among the board's responsibilities are:

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1. The development and modification of the State Plan for Title I of the Workforce Investment Act for submittal to USDOL by the Governor, which designates the local areas and establishes the WIA infrastructure, policies and priorities and alignment with the state's economic development activities;
2. Reviewing, approving, and monitoring the local area plans;
3. Developing the formula criteria to be used for allocating funds to the local areas;
4. Negotiating with the Local Areas (LWIBs) and USDOL on behalf of the State to establish WIA performance targets;
5. Aligns and coordinates the state's workforce infrastructure (Vocational Rehabilitation, Carl Perkins, Etc) with the WIA;
6. Reviews and recommends improvements to the WIA infrastructure on an on-going basis;
7. Development of the Annual WIA Performance Report with the Workforce Development Division, for submittal to USDOL by the Governor; and
8. Providing technical support to the Local Areas as needed.

To support board activities for PY 2010, combined administrative and program expenses for WDC totaled \$342,198. Costs include fringe, rent, supplies, travel, and \$50,000 for strategic planning purposes such as Industry Skill Panels (Sector Strategies) which assist the WDC in determining labor needs for specific industry sectors.

Workforce Development Division (Oversight and coordinating entity for administrative and fiscal compliance of WIA Formula funds)

The Workforce Development Division (WDD) employs 6.5 FTE (this includes 2.25 persons in the DLIR's fiscal office-ASO) to perform the following mandated activities for the administrative oversight of the WIA formula funds:

1. Conducts quarterly performance data compilation, certification, validation, and submittal of participant data to USDOL;
2. Compiles quarterly participant reports;
3. Development, execution and program monitoring of state contracts to the local areas which disburse WIA funding to the four local areas;
4. Provides technical support to the One-Stop operators;
5. Reviews and approval of long-term training providers for the state Eligible Training Provider list;
6. Review expenditures for allowable costs under state and federal law;
7. Monitors and prepare quarterly fiscal reports (44 reports per quarter) for WIA programs for the USDOL - ASO
8. LWIB contract reviews and approval - ASO

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9. Provides financial management and fiscal monitoring – ASO
10. Perform accounting functions for WIA funding – ASO
11. Determines allocation of WIA funds to the Local Areas based on formula established by the WDC and federal law
12. Conducts desk and on-site monitoring of the Local Area programs to determine compliance with the law, regulations, and local policies.
13. Responsible for the coordination of activities with the USDOL. Includes duties such as development of the WIA Annual Agreement and supporting documents, coordination and response to USDOL on-site and management reviews.
14. Represents the DLIR at community functions to increase awareness of the WIA programs and services to the target population.

For Program Year 2010, combined budgeted expenses for WDD (contracting with ASO) totaled \$614,693. Costs include fringe, rent, supplies, and travel.

Research and Statistics Division

The Research and Statistics office is contracted to provide data and calculate the allocation of WIA funding to the four LWIBs based upon the formula allocation requirements stipulated in the State Plan. The division also updates and maintains the state web-portal (Consumer Report Card) for approved eligible training providers. The division is budgeted \$42,300 for the personnel time spent on these projects.

HireNet Hawaii (State Management Information System)

Currently, the state funds 100% of the WIA portion of the state's job board and management information system utilized by the state and four local areas. The budgeted cost for the WIA portion was \$369,372 for PY 2010.

BUDGET IMPACT

For PY 2011, the state has no carryover from PY 2009. The carryover amount from PY 2009 is available due to the infusion of additional funds from the state's ARRA WIA formula funds, which have now been expended. Anticipated carryover from PY 2010 formula and ARRA programs and state imposed restrictions will allow the state to operate without significant financial difficulties in PY 2011.

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However, if Congress does not allow the state to retain the 15 percent threshold in PY 2012 and beyond, the State and local area's ability to carry out obligations under WIA will be significantly impaired.

DESCRIPTION OF SCENERIO RAMIFICATIONS

Both scenarios will have severe ramifications on the State's workforce investment affairs; however, while Scenario 2 would have a severely adverse effect, Scenario 1 would be completely devastating. If the Congress and USDOL determine the reduction will be 73 percent (Scenario 1), the state and local areas would effectively be crippled in carrying out the WIA. At a funding level of \$359,360 (this assumes that Hawaii does not see additional WIA recessions or funding cuts) the state would be unable to carry out its required duties under WIA, and job training and employment services would be severely curtailed for the State of Hawaii. Table 3 and 4 illustrate the two possible scenarios below:

Table 3. (Scenario 1) Statewide Activities Funded by the Governor's Reserve Funding		
State Workforce Agency (DLIR)	PY 2012 Budgeted Amt	FTE
Workforce Development Division and ASO	\$206,202	2.5
Workforce Development Council	\$121,793	1.0
Research and Statistics (Formula Allocation Data and State ETPL)	\$0	
State Job Board/MIS System	\$31,365	Services
TOTAL	\$359,360	

Costs include salary, fringe, office rent, AS&T (shared administrative/fiscal expenses and indirect cost), supplies and licenses for office PC's etc. Line items would be as follows:

WDC

Salary: \$77,612 (Executive Director)

Fringe: \$29,492

AS&T: \$10,089

Office Rent: \$2,600

Supplies and licenses: \$2,000

TOTAL: \$121,793

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WDD

Salary: \$128,280 (2.5 staff divided between WDD and ASO)

Fringe: \$48,746

AS&T: \$16,676

Office Rent: \$6,500

Supplies and Licenses: \$6,000

TOTAL: \$206,202

MIS System

\$31,365

Table 4. (Scenario 2)		
Statewide Activities Funded by the Governor's Reserve Funding		
State Workforce Agency (DLIR)	PY 2012 Budgeted Amt	FTE
Workforce Development Division and ASO	\$332,364	4.0
Workforce Development Council	\$189,325	2.0
Research and Statistics (Formula Allocation Data and State ETPL)	\$42,300	
State Job Board/MIS System	\$213,384	Services
TOTAL	\$784,073.00	

WDC

Salary: \$120,612 (Executive Director and 1 Employment Analyst)

Fringe: \$45,833

AS&T: \$15,680

Office Rent: \$5,200

Supplies and licenses: \$2,000

TOTAL: \$189,325

WDD

Salary: \$209,248 (4 staff divided between WDD and ASO)

Fringe: \$79,514

AS&T: \$27,202

Office Rent: \$10,400

Supplies and Licenses: \$6,000

TOTAL: \$332,364

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MIS System

\$213,384

SCENARIO 1

Scenario 1 would require the state to do the following:

1. Reduce staffing to the State Workforce Board (WDC) to 1 FTE staff member;
2. Eliminate funding to the Research and Statistics office and significantly reduce the funding to the State MIS system;
3. Reduce WDD and ASO to 2.0 FTE.

Among the most severe ramifications facing the state in Scenario 1 would be the following:

1. The state would incur tremendous liability as the USDOL holds the state accountable for the expenditure of WIA funds at the state and local levels. At the staffing level imposed under the 5% restriction, the state would have the following two choices:
 - a. Allow the local areas to self-regulate and spend the funding without oversight and monitoring in the hope that spending is done in accordance with WIA rules and regulations.

However, if future federal monitoring determines that spending is not allowable, the state, and not the counties, would be liable for the costs and face severe federal sanctions.

- b. If the state maintains its monitoring role to ensure federal funds are expended in accordance with federal law, reimbursement to the local areas would be at a delayed pace given the staffing ratio imposed by the restrictions.

This delay in receiving re-imbursement could impact the local areas ability to deliver services at the one-stops and WIA activities could be severely delayed negatively impacting the state's unemployed, and low-income adult and youth populations served under the program.

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2. There would be limited staff to develop and review contracts obligating money to the local areas. This delay would also severely affect WIA operations at the state and local area levels, affecting the job training and employment assistance;
3. Review and approval of eligible training providers and the posting of information will be delayed which may impact participants timely enrollment in training.
4. The State Board activities would be severely crippled. However, the remaining staff person would be able to carry out mandated/prioritized activities such as developing the WIA performance report and negotiating performance measures with the USDOL. Other activities would be limited/delayed due to lack of staffing and resources.
5. Employer representation and input on the WDC would be limited to the City and County of Honolulu, excluding those from the neighbor islands and their specific labor needs. The WDC would be unable to fund interisland travel from the three remaining local areas which have higher unemployment rates and are composed of the major island counties of Hawaii, Maui and Kauai.
6. The 2.5 FTE remaining in WDD/ASO would not be able to meet federal reporting requirements for participant or fiscal quarterly reporting;
7. The WDD would no longer be able to fund the MIS system, requiring the counties to fund 100 percent (under Scenario 1) of the system or acquire their own;
 - a. If the local areas refuse to fund the current MIS, and therefore acquire their own, this will impede the state's ability to track and report participant performance to USDOL, especially if the local areas are unable to secure an MIS system by PY 2012.
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 - b. If the MIS system is left in place, validation and certification of the data would be severely delayed in being reported to USDOL;
8. In terms of administrative support, the budget would have little to no room for clerical support.

Under Scenario 1, the state would face unprecedented barriers to implementing WIA, as well as monitoring and reporting for program and fiscal requirements. The state would

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also face significant liability issues regarding the expenditure of those funds once released to the local areas.

SCENERIO 2

If the Congress and USDOL determine that the reduction will be 40 percent (Scenario 2), the state will be able to make adjustments that would maintain minimal services for program and fiscal requirements. While operations would be affected, it would not be as severe as Scenario 1. It should be noted that there would still be significant staff reductions which would affect timeliness and quality of services, yet basic services would still be administered. Unfortunately, in order to ensure that statewide activities continue with Scenario 2, the state would be required to charge 80 percent of the cost of the WIA portion of the MIS system to the local areas beginning PY 2012. If the local areas decline to pay this portion of the MIS system, the local areas would be required to establish and pay for their own MIS system, which would cause similar issues as mentioned concerning Scenario 1. Either way, the local areas will receive more of the funds, so they would have to pay for the HireNet costs.

Possible Alternatives:

1. If allowable, request that the LWIBs contract with the state for state-mandated activities as outlined in the WIA law. Some of these services would include the HireNet Hawaii system, data collection and analysis, and monitoring costs. However, there would need to be clarification from the USDOL if this arrangement would be allowable. It would also require all of the local areas to agree to this arrangement;
2. The local areas request the Governor to redesignate the State as a single statewide local workforce investment board. This action would enable the State to better allocate resources at the county and state levels. With a total population of 1.3 million residents, this alternative would be workable provided the three “neighbor island” counties are represented in policy and implementation decisions. **However, the redesignation would need to be sought from the mayors of the four counties (local areas) and is less desirable as it would impact funding at the county government level and local area (county) input and guidance on specific training needs would be negatively affected.**

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Conclusion

In conclusion, the State's WIA services would be adversely affected by either scenario; however, Scenario 1 would have such severe repercussions that basic federally required WIA reporting and administrative services would not have adequate funding to operate. Most importantly, WIA services to Hawaii's low-income and unemployed residents would be severely affected as contracts would be significantly delayed in executing between the state and LWIBs, and fiscal and program monitoring would be limited to such an extent that new processes would need to be developed that could delay the re-imbursement process.